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SUMMARY

GENERAL

1. Churchill's statements expected to have paralyzing effect on COCOM (page 3).
2. British favor French proposal for tripartite talks on Near East (page 3).

SOVIET UNION

3. USSR conducts military training against atomic weapons (page 4).

FAR EAST

- 25X1
-
5. Peiping takes major step toward food control (page 5).

SOUTHEAST ASIA

6. Ho Chi Minh reportedly proposes coalition Vietnamese government (page 6).

NEAR EAST - AFRICA

7. Iranian government disturbed at delay in oil negotiations (page 6).

LATIN AMERICA

8. Panama threatens to withdraw from Canal Zone treaty talks (page 7).

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GENERAL

1. Churchill's statements expected to have paralyzing effect on COCOM:

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Prime Minister Churchill's statements in the House of Commons on 25 February will have a paralyzing effect on COCOM and prevent any agreement on future controls until the statements have been clarified in a COCOM Consultative Group meeting, according to American officials in Paris.

They add that France's position is very close to Britain's in advocating a very short embargo list and possible elimination of all quantitative controls.

According to the American embassy in London, Britain is now calling formally for a reassessment of present trade controls to bring them into line with the new "long haul" approach to building up Western defense.

Comment: The embassy in London believes that chances of altering the new British policy are remote. Other COCOM countries, particularly those in Western Europe, can generally be expected to support the British and French positions.

2. British favor French proposal for tripartite talks on Near East:

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The American embassy in London reports that the reaction of the British Foreign Office is "rather favorable" to a French proposal made in London and Washington

for tripartite talks on the Near East, with particular reference to recent developments in Syria. The British, however, would want to include the Arab-Israeli problem.

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SOVIET UNION

3. USSR conducts military training against atomic weapons:

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Soviet
military personnel are being trained
in defense against atomic attack.

the 23rd Antiaircraft Artillery Division stationed near Vienna engaged
in a tactical exercise including a simulated atomic bomb attack.

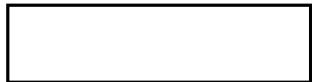
Comment: Such training in the defensive aspects of atomic warfare would logically proceed from Soviet knowledge that the United States has developed nuclear weapons of a tactical type.

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5. Peiping takes major step toward food control:
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Peiping has just announced that following a decree of 19 November urban food rationing and quotas for grain sales by the peasants to the state were instituted throughout most of China. Private grain merchants were outlawed.

Comment: This announcement is the first indication that Peiping has imposed Soviet-type delivery quotas on the peasant, and clarifies scattered reports during the winter of rationing and of the outlawing of private food merchants.

Increased state control over foodstuffs is desired by Peiping both as a part of its accelerated drive this year toward industrialization and socialism, and in order to control widespread food shortages.

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SOUTHEAST ASIA

6. Ho Chi Minh reportedly proposes coalition Vietnamese government:

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[Redacted]

Vietnamese nationalist sources in touch with the Viet Minh have informed the British embassy in Saigon that Ho Chi Minh has offered to negotiate on the understanding that his followers would receive two unspecified portfolios in a Vietnam-Viet Minh coalition. Ho reportedly indicated that such an arrangement would ensure his control over the coalition within six months.

The British Foreign Office, which transmitted this information, regards it as probably true.

Comment: The reported open expression of Ho's confidence in his ability to gain control of a coalition detracts from the credibility of this report.

The Viet Minh can, however, advance proposals at any time for a coalition government or plebiscite which would be difficult for the French to reject and which would almost certainly lead to Viet Minh control.

NEAR EAST - AFRICA

7. Iranian government disturbed at delay in oil negotiations:

[Redacted]

Prime Minister Zahedi and his cabinet are worried over the delay in opening oil negotiations and are even willing to forego the traditionally long New Year's holidays, beginning on 21 March, to carry on talks.

Ambassador Henderson warns that a final agreement should be submitted to the Majlis for ratification before the opposition has time to organize. He remarks that soon after the Majlis meets, demagogic deputies may take action which would lay the basis for new nationalist opposition.

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Comment: Plans to organize an opposition group are reputedly being made by a son and a son-in-law of Mullah Kashani, who were recently elected to the Majlis. If these men can win over other opportunistic deputies before an agreement is ratified, they may be in a position to block or delay an oil settlement.

LATIN AMERICA

8. Panama threatens to withdraw from Canal Zone treaty talks:
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[Redacted]

Panamanian president Remon has decided to break off the Canal Zone treaty talks with the United States "with fanfare" unless the negotiations take a quick turn for the better, according to Foreign Minister Guizado.

Guizado told Ambassador Chapin on 26 February that the offer of a \$10,000,000, ten-year economic development program was "completely unacceptable and even insulting." He emphasized Panama's demand for 20 percent of the canal company's gross profits.

Chapin believes that these statements were partly bluff, but that Remon and Guizado are serious in their threat to break off the talks. Remon is so deeply committed politically on the treaty issue that failure in the talks might lead him, or his successor if he is forced to resign, to violent nationalism and anti-Americanism.

Comment: In the talks which began in Washington last September, Panama has sought increased economic benefits, a cessation of commercial activities which compete with Panamanian business, and an end to discrimination against Panamanian workers in the Canal Zone. Remon may feel that his bargaining position is temporarily enhanced by the Caracas conference.